



Local Government

News Report

APRIL 2014

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HOLIDAYS AND CLOSURES

No Banking
Holidays for the
month of
April

CREDIT MARKET REVIEW

March brought consternation to the rates markets as Janet Yellen, the Federal Reserve Chair, made her first post Federal Open Market Committee (FOMC) speech on March 19th. Market participants began pricing in earlier rate hikes as FOMC members moved up their forecasts for rate hikes in the federal funds target rate, currently held at 0-0.25 percent. These actions sent the yields on 2 year and 3 year Treasuries higher.

The March payroll report was released on April 4th. The report was a lukewarm showing with the economy adding 192k nonfarm jobs, less than the Bloomberg reported median economist expectation of 200k. The headline unemployment held steady at 6.7 percent while the labor force

participation rate ticked up to 63.2 percent. The report revised February nonfarm payroll additions from 175k to 197k jobs while January was revised from 129k to 144k. Average hourly earnings, a sign of wage inflation, came in flat for the month.

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INTEREST RATES

The average
annualized yield for March was:
0.54 percent

The rate for March was as follows:
March 1st - 31st
0.54 percent

OREGON SHORT TERM FUND BOARD MEETING

The Oregon Short Term Fund (OSTF) Board met March 9th at the Spring OMFOA Conference in Sunriver. At the meeting OSTF Investment Staff presented a brief market and portfolio update to the Board. In addition, Cash Management Staff provided an overview of the Local Government Business Systems Renewal Project. Both presentations can be found on Treasury's website as shown below:

- <http://www.oregon.gov/treasury/Divisions/Investment/Audio/OMFOA%20SPRING%20CONFERENCE%202014%20%20OST%20PRESENTATION.pdf>
- <http://www.oregon.gov/treasury/Divisions/Investment/Audio/LGIP%20BUSINESS%20SYSTEMS%20RENEWAL%20PROJECT%20PRESENTATION.pdf>

CREDIT MARKET REVIEW

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The uptick in the participation rate, as well as the flat lining of wage growth, may be signs of continued slack in the labor market. Only time and more data will indicate whether or not this is the case.

Two and three year Treasury yields moved higher in March as investors contemplated a potentially more hawkish Fed. Corporate spreads declined marginally as demand for short duration corporate bonds remained strong. Money markets rates remained depressed as both Treasury bill and agency discount note supply continued to decline while demand remained high.

Commercial paper and repo rates moved higher on quarter end pressures.



MARKET DATA TABLE

	3/31/2014	1 Month	3 Months	12 Months		3/31/2014	1 Month	3 Months	12 Months
7-Day Agency Discount Note**	0.02	0.02	0.01	0.04	Barclays 1-3 Year Corporate YTW*	0.99	0.88	1.01	0.95
30-Day Agy Nt Disc**	0.03	0.02	0.04	0.06	Barclays 1-3 Year Corporate OAS*	0.50	0.51	0.59	0.68
90-Day Agy Nt Disc**	0.06	0.03	0.09	0.09	Barclays 1-3 Year Corporate Modified Duration*	2.00	1.96	1.92	1.98
180-Day Agy Nt Disc**	0.07	0.05	0.10	0.11					
360-Day Agy Nt Disc**	0.13	0.10	0.16	0.16	JPM 1-3 Year Floating Rate Note Index Yield***	0.62	0.62	0.63	0.71
					JPM 1-3 Year Floating Rate Note Index Discount Margin***	37.16	37.16	37.20	41.69
30-Day Treasury Bill**	0.03	0.04	0.02	0.03					
60-Day Treasury Bill**	0.02	0.04	0.03	0.05	7-Day Muni VRDN Yield**	0.06	0.03	0.06	0.12
90-Day Treasury Bill**	0.03	0.04	0.04	0.06					
6-Month Treasury Yield**	0.06	0.07	0.08	0.10	O/N GGC Repo Yield**	0.23	0.15	0.03	0.14
1-Year Treasury Yield**	0.11	0.10	0.11	0.12					
2-Year Treasury Yield**	0.420	0.32	0.39	0.24	1-Day CP (A1/P1)**	0.22	0.10	0.14	0.15
3-Year Treasury Yield**	0.87	0.67	0.77	0.35	7-Day CP (A1/P1)**	0.20	0.11	0.15	0.16
					30-Day CP (A1/P1)**	0.16	0.16	0.17	0.18
1-Month LIBOR**	0.15	0.16	0.17	0.20					
3-Month LIBOR**	0.23	0.24	0.25	0.28	30-Day CD (A1/P1)**	0.19	0.14	0.19	0.18
6-Month LIBOR**	0.33	0.33	0.35	0.44	90-Day CD (A1/P1)**	0.18	0.18	0.20	0.23
12-Month LIBOR**	0.56	0.55	0.58	0.73	6-Month CD (A1/P1)**	0.26	0.26	0.26	0.34
					1-Year CD (A1/P1)**	0.41	0.42	0.43	0.68
US 1 Year Inflation Break-Even**	1.79	2.02	1.40	2.34					
US 2 Year Inflation Break-Even**	1.74	1.92	1.59	2.28					
US 3 Year Inflation Break-Even**	1.80	1.93	1.69	2.32	Sources: *Barclays, **Bloomberg, ***JP Morgan				

CMIRP CORNER

The Cash Management Improvement & Renewal Program (CMIRP) is a continuous improvement program focused on the renewal, replacement, and refinement of processes and technology supporting Treasury cash management services.

On April 8, the LGIP stakeholder workgroup held its first meeting to discuss business processes, high-level system requirements, and communication/support strategies for the LGIP Business Systems Renewal project. Representatives from counties, cities, and special districts discussed their current use of the LGIP and ways in which a renewed system could better support their operating needs. The workgroup identified online access to the LGIP as a key desired enhancement, along with the ability to process both batched transactions and future-dated transactions. The workgroup also indicated a desire for access to more detailed account information and to self-administer system users. The workgroup recognized the need to accommodate a wide array of needs and capabilities across LGIP participants, and stressed the importance of security and stability in today's ever-evolving technological environment.

Treasury will share more details about the workgroup's discussions and project progress in the coming months. If you have questions or comments about the LGIP Business Systems Renewal effort, please contact us at cmirp@ost.state.or.us.

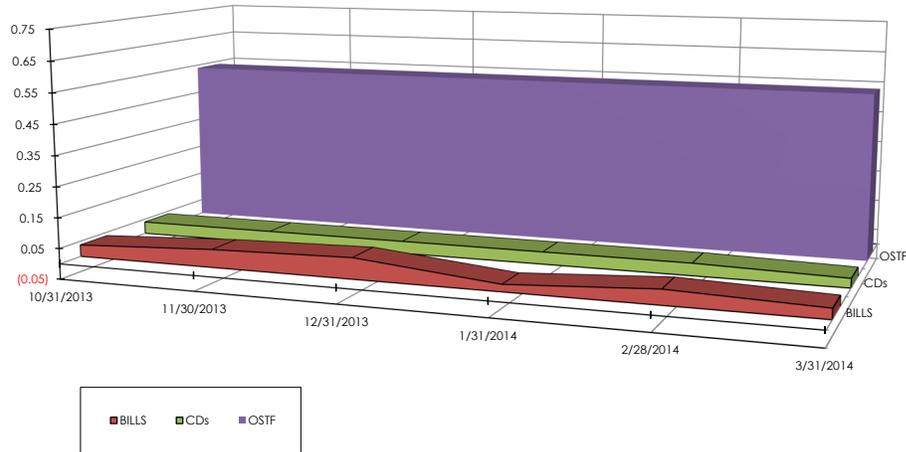
NEW AND PROMOTED TREASURY EMPLOYEES

Bryan Cruz González recently joined the Treasurer's office as a Cash Management Business Analyst in the Finance Division. Bryan joins Wendy Finley and Angel Bringelson in staffing the Cash Management Improvement and Renewal Program (CMIRP). Bryan's experience with the state includes positions at Oregon Housing and Community Services, the Governor's Office, and the Department of Land Conservation and Development. He has worked in a variety of roles with increasing responsibility, and has extensive experience related to creation and documentation of business processes. Notably, Bryan has had the opportunity to help develop the business processes for a number of new program implementations during his tenure. His skillset and approach will be a good complement to the CMIRP team.



We'd also like to let you know that congratulations go out to Perrin Lim who was promoted into one of two new director positions in the Investment Division. Perrin is now the Director of Capital Markets, a role that combines the public equity and fixed income areas under Perrin's purview. In his new role, Perrin will remain responsible for leading Investment Division staff that manage the Oregon Short Term Fund and provide related support to our local government customers.

OREGON SHORT TERM FUND ANALYSIS AS OF 3-31-14



	10/31/2013	11/30/2013	12/31/2013	1/31/2014	2/28/2014	3/31/2014
LGIP AV DOLLARS INVESTED (MM)	4,869	6,800	7,068	6,754	6,743	6,558
STATE AGENCY AV DOLLARS INVESTED (MM)	6,734	6,777	6,764	7,133	6,623	6,512
TOTAL OSTF AV DOLLARS INVESTED (MM)	11,603	13,577	13,831	13,880	13,360	13,064
OST ANNUAL YIELD (ACT/ACT)	0.54	0.54	0.54	0.54	0.54	0.54
3-MO UST BILLS (BOND EQ YLD)	0.04	0.06	0.07	0.02	0.05	0.03
3-MO JUMBO CDS (ACT/360)	0.04	0.04	0.04	0.04	0.04	0.03

NOTE: The OST ANNUAL YIELD represents the average annualized yield paid to accountholders during the month. Since interest accrues to accounts on a daily basis and the rate paid changes during the month, this average rate is not the exact rate earned by each account.

3-MO UST BILLS yield is the yield for the Treasury Bill Issue maturing closest to 3 months from month end. 3-MO JUMBO CDS is the highest posted rate received by the Treasury from Oregon banks as of month end. Consequently, while the yield on UST Bills should normally be lower than CD rates, the fact that the quotes are up to a week different in time may result in an apparent reversal of this situation.

This material is available in alternative format and media upon request.

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